



ABN: 55 009 686 435

Half-Year Report to Shareholders

for the six months ended 31 December 2011

Dear Shareholder,

We report our half-year result being a net profit before tax of \$1.73 million and net profit after tax of \$1.23 million. Deferred tax assets of \$2.97 million are available to be recouped.

The average cost of supplier shareholder honey for the 6 months to 31 December was \$3.28/kg compared with \$3.25/kg for the same period last year. Honey quotas have been reduced substantially to match against our forecast usage, which will help maintain stock levels appropriate to our sales.

Interest bearing debt was \$16.0 million as at 31 December 2011 compared with \$11.0 million as at 30 June 2011 mainly due to increased working capital requirements relating to inventory and the seasonal change in stock holdings. Cash and cash equivalents are noted as \$2.1 million compared with \$0.64 million as at 30 June 2011.

A major equipment upgrade took place in December 2011 necessitating a shutdown of the production line. There was a planned inventory build up as production temporarily ceased.

Capilano Honey Limited Group - 6 months to 31 December	Current Year	Last Year
	<i>\$million</i>	<i>\$million</i>
Revenue	\$32.5	\$30.5
Earnings Before Interest and Tax (EBIT)	\$2.28	\$2.18
Net Operating Profit Before Tax (NPBT)	\$1.73	\$1.65
Average Honey Price / Kg	\$3.28	\$3.25
Current Ratio	2.49	2.0
Debt Ratio (Total Liabilities/Total Assets)	51%	49%
Gearing Ratio (Interest Bearing Debt/Equity)	68%	56%
Interest Cover	4.19	5.19
Net Assets	\$23.46	\$20.39
Net Assets Backing/Share	\$2.75	\$2.39

Capilano's profitability is benefiting from an improved domestic market share and we continue to drive costs down. We advised previously of the decision to maintain one plant in Richlands, Queensland and accordingly the Maryborough, Victoria plant was 'mothballed' within the last 6 months. An upgraded packing line has since been commissioned in Richlands, consistent with our 'lowest cost' manufacturer goal.

The Board has continued to look for opportunities to add value to shareholders. The changes to the Bendigo Stock Exchange (BSX) restricting it to 'clean technology' companies required a move to either the Newcastle Stock Exchange (NSX) or the Australian Stock Exchange (ASX). The company has operated under a continuous disclosure regime for some time and costs of listing on the ASX were considered reasonable. Share transactions could be electronic and maintained in the CHES system making trading far easier. Accordingly, application will be made for listing on the ASX subject to certain conditions, including acceptance of the position that Capilano Beekeepers Ltd (CBL) will still retain the right to appoint two directors, who will comply with the same appointment by rotation rules as other CHL directors.

Following a solid performance for the half year the Directors are pleased to announce an interim dividend of 10 cents per share.

Yours sincerely

R D Masters
Managing Director